

Facility Use Agreements Audit

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To: Board of Trustees
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From: Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Subject: Facility Use Agreements Audit

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Facility Use Agreements Audit.

The audit focused on Real Property Management's (RPM) processes for approving, managing, and monitoring facility use agreements to ensure compliance with policies, equitable access, appropriate fee collection, and protection of District resources.

Overall, RPM has effective processes in place to manage the District's facility rental program in accordance with regulations and District policies. No observations requiring management's response were noted.

Background

The District operates one of the largest public-school systems in Texas, encompassing over 230 campuses and numerous administrative and athletic facilities. To maximize the use of its real estate assets and generate supplemental revenue, the District offers a Facility Rental Program managed by RPM. During fiscal year (FY) 2024-25, there were 268 rental requests approved, which resulted in 2,285 rental events, 7,750 rental hours, and cash receipts of approximately \$676,000.

RPM utilizes an online platform called SchoolSpace to facilitate the rental process. This system allows external organizations to request the use of District facilities for events and activities. The rental process is fully digital, encompassing registration, facility selection, application submission, approval, and payment.

Rental requests must be submitted at least 15 business days in advance and no more than six months prior to the event date. All requests are subject to availability and must comply with District policies, which govern eligibility, usage restrictions, fee schedules, and operational requirements. Authorization to use a facility is given by the principal if the requested facility is a campus and by the Athletics Department if the request is for an athletic facility.

Facilities available for rent include school auditoriums, gymnasiums, athletic fields, cafeterias, meeting rooms, etc. Rental rates vary based on user classification, facility type, location, and capacity; and are designed to cover operational costs incurred by the District.

Rental rates are reviewed every five years to ensure that the rental fees charged by the District offset the cost of opening and maintaining a facility while in use. The last review occurred in 2022. Costs considered include custodial, security, and utility costs. The goal of RPM is to make District facilities available to the public at reasonable costs. Rental rates are established by District administration and documented in policy GKD (EXHIBIT).

The District classifies users of its facility rental program into three categories:

- Classification I includes school-support organizations and certain community groups (e.g., crime watch, homeowners' associations, nonprofit organizations, and government agencies) which hold regular meetings on school days when classes are not in session. These users are generally not charged rental fees, they are only charged for any staff time incurred by the District, if any.
- Classification II applies to non-revenue generating activities by non-school organizations. If these activities directly benefit the school or community, the organization may receive a 25% discount on the rental fee.
- Classification III covers for-profit organizations and revenue-generating activities by non-school groups. If these activities benefit the school or community, a 15% discount may be applied to the rental fee.

During FY 2024-25, Classification I users held 1,046 rental events, Classification II users held 997, and Classification III users held 242 rental events.

RPM is responsible for ensuring compliance with District policies and state laws, negotiating leasing terms, and overseeing the disposition and use of District-owned properties. The department also aims to provide quality customer service while supporting the District's educational mission.

Scope

The audit focused on current processes and procedures and data reviewed for FY 2024-25 and 2025-26. Certain other matters and transactions outside that period were reviewed to understand and verify information during the audit period.

Objective

The objective of the audit was to evaluate the adequacy and effectiveness of the District's processes for approving, managing, and monitoring facility use agreements to ensure compliance with policies, equitable access, appropriate fee collection, and protection of District resources.

Methodology

Auditors interviewed key personnel, conducted walkthroughs, and reviewed supporting documents to understand processes and controls surrounding facilities use agreements.

Detailed audit procedures are noted below:

1. Agreement Execution - To determine whether rental agreements were properly authorized and executed, auditors obtained a rental report from School Space for events held from July 1, 2025, through September 15, 2025, showing 140 rental events completed. Auditors made a sample selection of ten events, and performed the following:

- a. Reviewed the rental agreement for inclusion of key terms and conditions, such as event description, duration, fees, insurance requirements, cancellation policy, liability clauses, etc.
- b. Verified signatures from both the requester and authorized District personnel were present in the agreement.
- c. Confirmed the agreement's approval date preceded the event date.

No observations were noted.

2. Rental Fee Assessment and Collection - To determine whether rental fees were properly assessed and collected, auditors performed the following:
 - a. Conducted a cost analysis to verify rental fees cover the actual costs of facility use by:
 - i. Obtaining and analyzing the original analysis used to establish rental fees for accuracy and appropriateness.
 - ii. Conducting a cost analysis for current costs from FY 2024-2025.

No observations were noted; however, results were communicated to management.

- b. Obtained a rental report from School Space showing 165 rental events for classifications II and III groups during July 1, 2025, to October 1, 2025, selected a sample of ten events, and performed the following:
 - i. Verified rental fees were charged in accordance with the fee schedule and any deviations or discounts were properly documented and approved.
 - ii. Verified rental fees were paid in accordance with the agreement.

No observations were noted.

Primary criteria used for this audit were:

- 1) Dallas ISD Policy – GKD (LOCAL), Community Relations Nonschool Use of School Facilities, dated October 12, 2018
- 2) Dallas ISD Policy – GKD (REGULATION), Community Relations Nonschool Use of School Facilities, dated August 19, 2022
- 3) Dallas ISD Policy – GKD (EXHIBIT), Community Relations Nonschool Use of School Facilities, dated August 19, 2022
- 4) Texas Education Code - EDUC § 55.16. Board Responsibility, effective September 1, 1971

Results

Auditors obtained reasonable assurance that controls are in place and functioning as intended. As a result, no formal observations requiring management's response were identified.

Conclusion

Overall, RPM has designed and continues to enhance their processes for the management and execution of the facility rental program.

We would like to thank RPM for their cooperation and assistance with this audit.

The audit was conducted in conformance with the Institute of Internal Auditors' *Global Internal Audit Standards*. Those standards require OIA to plan and perform the audit to obtain sufficient, reliable, and relevant evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. OIA believes the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Respectfully submitted,

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